

Message Text

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PAGE 01 FRANKF 05472 230806Z

ACTION EB-04

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TO SECSTATE WASHDC 8781

INFO AMEMBASSY BONN

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C O N F I D E N T I A L FRANKFURT 5472

LIMDIS

GREENBACK

E.O. 11652: GDS

TAGS: EFIN, GW, US

SUBJECT: DEUTSCHE BANK SPOKESMAN COMMENTS ON INTERNATIONAL
MONETARY SITUATION

REF : (A) BONN 11600 (B) FRANKFURT 5471

1. DR. WILFRIED GUTH, SPOKESMAN FOR BOARD OF DIRECTORS
OF DEUTSCHE BANK, GAVE DPO HIS VIEWS ON INTERNATIONAL
MONETARY SITUATION JULY 22. THEY AMPLIFY AND CORRECT
PRESS COVERAGE OF COMMENTS TO FRANKFURT ECONOMIC
JOURNALISTS CLUB LAST WEEK (SEE PARA 3 REFTEL A).

2. GUTH SAID THAT HE WAS QUITE SATISFIED WITH DEVELOP-
MENTS IN FOREIGN EXCHANGE MARKETS FOR MOST OF THE PAST
18 MONTHS SINCE THERE WAS A STABLE RELATIONSHIP BETWEEN
THE FOUR MAJOR INTERNATIONAL CURRENCIES. HE BECAME
UNEASY EARLIER THIS YEAR AT (A) U.S. ATTEMPTS TO
ENCOURAGE STRONGER REFLATION IN GERMANY AND (B)
SEEMING U.S. INDIFFERENCE TO EFFECT OF LARGE U.S.
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TRADE DEFICIT ON INTERNATIONAL MONETARY SYSTEMS,
COUPLED WITH STATEMENTS TO EFFECT THAT LARGE U.S.
DEFICIT WOULD STIMULATE ECONOMIC DEVELOPMENTS IN
REST OF WORLD. HIS CONCERN GREW AT FURTHER STATE-
MENTS FROM HIGH U.S. GOVERNMENT LEVELS WHICH, IN
HIS VIEW, WERE PRECIPITATING A DECLINE IN THE DOLLAR
AT A RATE AND TO A LEVEL INCONSISTENT WITH FUNDAMENTAL

ECONOMIC FACTORS, AND HE FEARED THAT PSYCHOLOGICAL FACTORS MIGHT BECOME DOMINANT IN FOREIGN EXCHANGE MARKET.

3. GUTH SAYS THAT HE HAD BEEN ASKED SOME MONTHS PREVIOUSLY TO ADDRESS THE FRANKFURT ECONOMIC JOURNALISTS CLUB AND PARTICIPATE IN A QUESTION-AND-ANSWER SESSION. IN EXTEMPORANEOUS REMARKS GUTH SAID THAT IT COULD NOT BE EXCLUDED THAT THE U.S. MONETARY AUTHORITIES WOULD BEGIN TO SHARE HIS CONCERNS OVER THE DEVELOPMENTS IN THE FOREIGN EXCHANGE MARKET AND CONCEIVABLY WOULD LIKE TO SEE A RESISTANCE LINE AT AROUND DM 2.25 TO THE DOLLAR. THESE COMMENTS WERE INTENDED TO ALLAY CONCERN BUT, ACCORDING TO GUTH, WERE WIDELY MISINTERPRETED AND MADE SEEM MORE CIRTICAL THAN HE INTENDED.

4. GUTH SHARES THE VIEWS OF OTHER SENIOR FRANKFURT COMMERCIAL BANKERS ON DEVELOPMENTS IN THE FOREIGN EXCHANGE MARKETS (SEE REFTEL B). HE RETURNED EARLIER TODAY FROM JIDDA WHERE HE HAD EXTENSIVE MEETINGS WITH SAUDI MINISTER OF FINACE AND THE HEAD OF THE SAUDI ARABIA MONETARY AUTHORITY (SAMA). HE FOUND BOTH SAUDI OFFICIALS DEEPLY CONCERNED OVER THE CURRENT WEAKNESS OF THE DOLLAR, AND SAYS THAT THEY ASKED HIM WHETHER SAUDI ARABIA SHOULD BEGIN
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SWITCHING FROM THE DOLLAR TO OTHER, STRONGER CURRENCIES. GUTH SAYS HE ADVISED THEM TO WAIT A BIT LONGER BEFORE GIVING CONSIDERATION TO SWITCHING OUT OF THE DOLLAR.

5. ON ANOTHER SUBJECT, GUTH SAYS THAT HE WILL GIVE THE IMF'S PER JACOBBSSEN LECTURE THIS SEPTEMBER AND IS DEEPLY INVOLVED IN PREPARING COMMENTS ON THE CURRENT OPERATONS OF THE INTERNATIONAL FINANCIAL SYSTEM AS SEEN BY A COMMERCIAL BANKER. HE INDICATED HE STILL SORTING OUT AN APPROACH TO THE TOPIC.LEHMANN

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Message Attributes

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